

# [The subprime mortgage essay example](https://assignbuster.com/the-subprime-mortgage-essay-example/)

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Subprime mortgage crisis was the resultant factor to the 2008 economic crisis which started in the US. Subprime mortgage is a kind of mortgage made out to lower credit rated borrowers. Due to the borrower’s credit rating the lender usually charges higher interest rates but do not demand for conventional. The subprime mortgage at this time was full rampant foreclosures and mortgage delinquencies. This resulted to the decline of financial securities in the back up subprime mortgages (Beck, 2011 p. 21).
It is worthy while arguing that the economic recession of 2008 was an ethical crisis. The US capitalism is one of the critical grounding factors in this argument. At this point the US subprime mortgage to her citizen did not paid attention to the matters of the global concern thus it failed to meet ethical fairness (Beck, 2011 p. 12). At this state the US failed to distinguish between matters of private concern and public concerns. US had the consent of its economic influence to the economies of other nations.
The US subprime mortgage issuance companies failed to observe the ethical principle of veracity. Every economy has to be realistic and accurate in its economic matters analysis and execution of its economic plans. US being a capitalist by that time, failed to realize the consequences that subprime mortgage foreclosures and delinquencies could affect not only its economy but also other economies in long run. The companies had to be realistic in their lending and employ accurate measures in assessing the risks that existed in lending huge sums of money under subprime mortgages (Beck, 2011 p. 28).
Companies also failed to observe the principle of human dignity. Lending companies were attracted by the highest subprime mortgage lending rates that prevailed in the market. These companies thus served themselves rather than its customers and employees. Thus the result was inevitable and the whole economy was doomed to failure. Employees and other stakeholders including customers need to be respected with dignity as in accordance with business ethics (Beck, 2011 p. 18). Business ethics observance is the only way that capitalism will prosper.

## Work cited

Beck, Chad, and Adam Bolt. Inside job. Sony Pictures Home Entertainment, 2011.